

CHAPTER 1. OVERVIEW

Interior's Mission

“To protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to tribes and our commitments to island communities.”

The American people have had a long-term investment in the resources managed by the Department of the Interior (DOI). From its establishment in 1849, the Department has managed many and varied programs including Indian affairs, administering land grants, improving historic western emigrant routes, maintaining boundaries, administering pension laws, issuing patents, conducting the census, and conducting research on the geological resources of the land. Following the conservation movement at the beginning of the 20th century, however, the Department focused its attention on the preservation, management, understanding, and use of natural and cultural resources with an increasing sense of the fragile nature of those resources and the interdependence of ecosystems.

Interior's Mission

The Department's mission is to protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to tribes and our commitments to island communities. Charged with this mission, the Department ensures that the Nation's investment in its natural and cultural resources is cultivated to guarantee the optimum environmental, recreational, cultural, and economic benefits for the American people.

The Department strives to ensure that the funding the American people provide is used as efficiently and productively as possible. To that end, the Department has focused on three areas: (1) streamlining and re-engineering; (2) improving accountability; and (3) customer service. Over the years, the Department has been a leader in various initiatives to improve the federal government by implementing the recommendations of the National Partnership for Reinventing Government, reducing our workforce in response to the Federal Workforce Restructuring Act of 1994, and taking steps to improve support to employees in the field who are in direct contact with the public. Other driving forces promoting improved efficiency and effectiveness include the Chief Financial Officers Act of 1990 (CFO Act), the Government Performance and Results Act of 1993 (GPRA), the Government Management Reform Act of 1994 (GMRA), the Federal Acquisition Streamlining Act of 1994, the Information Technology Management Reform Act of 1996 (ITMRA), the Debt Collection Improvement Act of 1996 (DCIA), and the Federal Financial Management Improvement Act of 1996 (FFMIA).

Chief Financial Officer Organization

The Department has developed and implemented a sound Chief Financial Officer organization that is capable of successfully meeting the current and future challenges in federal financial management. The CFO organization is headed by the Assistant Secretary for Policy, Management and Budget (see Appendix A) who is also the Department's CFO. The Department CFO provides leadership in program planning, budget, and policy matters; oversees compliance with environmental statutes and standards; develops and maintains internal administrative policy, standards, objectives, and procedures for use throughout the Department; oversees the administrative appeals process; and undertakes special analytical and administrative support services for the Office of the Secretary. In addition, the Department CFO leads Interior's CFO Council in addressing emerging financial management issues and fulfilling its financial management vision.

Collaborative Working Relationships

Interior recognizes that to improve financial management and effectively re-engineer and streamline financial management activities and processes, it is imperative that collaborative working relationships be established between program and financial managers. To that end, Interior has historically maintained a strong collaborative working relationship through the Interior CFO Council, the Interior Management Council (IMC), the Finance Officers' Partnership (FOP), other collaborative Interior committees, and re-engineering laboratories sponsored by the Department that have historically supported financial management improvements and administrative streamlining efforts.

The Secretary has set in motion several reforms that will help to ensure integrated planning, leadership, and assessment of the Department's programs:

Effective Leadership and Management Oversight: The Department has established a Management Excellence Council, which is chaired by the Secretary and includes the Deputy Secretary, Assistant Secretaries, and bureau heads. The Council will provide leadership, direction, and accountability to implement the Administration's goals and provide overall direction and oversight of the Department's management reform activities. To support the Management Excellence Council, a set of senior-level teams have been established that are linked to the five governmentwide initiatives. These cross-departmental teams, which are chaired by the Assistant Secretary for Policy, Management and Budget, her Deputies, or the Chief Information Officer, will ensure that all departmental management reform efforts are collaborative and coordinated. *Exhibit 1-1* illustrates the Department's new management oversight structure.

Administrative Partnerships: In addition, the Department has also established a number of partnerships to improve coordination within its administrative communities. These include:

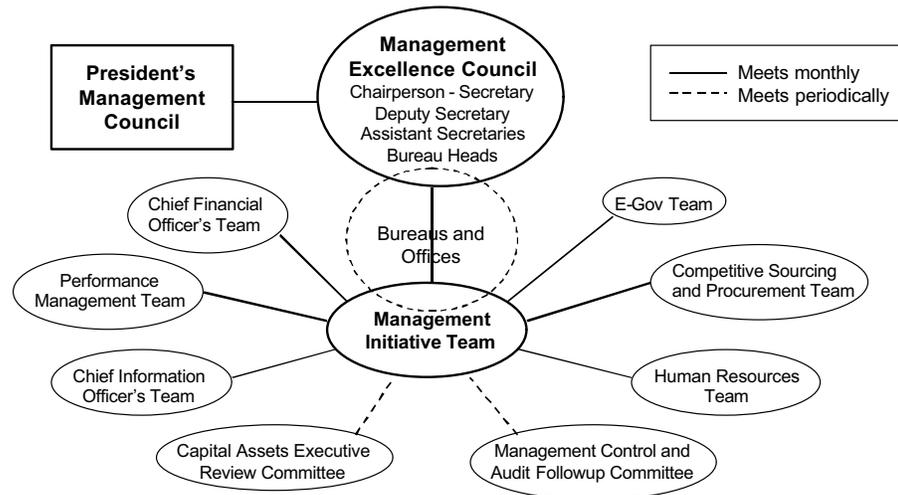
- *Finance Officers' Partnership (FOP):* The FOP was established to enable the Department to work better and cost less through the collaborative planning, development, and implementation of improved financial management policies and practices (see Appendix B for a description of the FOP). The FOP has established subcommittees or working groups to focus on important financial management issues that confront the Department, including:

Exhibit 1-1

Organizing for Management Excellence at the Department of the Interior

Initiatives the Management Excellence Council will pursue include the President's five management goals to accomplish the Department's goal of Managing for Excellence and Accountability:

1. Integrating budget and performance
2. Managing human capital
3. Utilizing competitive sourcing
4. Improving financial accountability
5. Expanding electronic government



- *Software Advisory Board (SAB)* to provide analytical and technical support to the FOP in the areas of FFS software design, development, and implementation.

- *Standard Accounting Classification Advisory Team (SACAT)* to establish and maintain a common approach among the bureaus for addressing accounting classification issues including Standard General Ledger (SGL) maintenance, accounting policy and procedures, internal controls, and reporting requirements.

- *Financial Statements Guidance Team (FSGT)* to coordinate bureau and Departmental preparation of financial statements.

- *Operations Accounting Group (OAG)* to coordinate efforts of bureau finance offices and the Department to improve the effectiveness and efficiency of financial management procedures and practices.

- *Budget Execution Reporting Working Group (BERWG)* to coordinate and improve budget execution processes and reporting practices.

- *Cost Accounting Work Group (CAWG)* to facilitate implementation of FASAB Standard No. 4, Managerial Cost Accounting.

- *Accounting for Eliminations Team (AET)* to address issues related to financial statement treatment of interbureau transactions.

- *Property Management Partnership (PMP)*: The PMP, comprised of personal, real, and museum property management officials from the bureaus and the Department, was formed in FY 1997 to increase productivity, promote multi-bureau initiatives, and avoid the costly development or modification of duplicative, independent, stand-alone property systems.
- *Acquisition Managers' Partnership (AMP)*: The AMP, comprised of senior procurement managers from Interior's bureaus, was formed in FY 1998 to serve as a forum to work cooperatively and continuously to improve the management, efficiency, and effectiveness of procurement services in support of Interior's mission.
- *Interior Federal Assistance Working Group (IFAWG)*: The IFAWG was established to provide a focal point for coordinated federal assistance activities of Interior bureaus and offices. The IFAWG provides an opportunity for representatives from bureaus and offices to provide input into the formulation and implementation of federal assistance policies.

Financial Management Vision and Goals

The Department has adopted the following updated financial management vision based on a vision statements established in 1998 by the Office of Management and Budget (OMB) and the governmentwide CFO Council.

Interior's Financial Management Vision Statement

“Shaping an environment in which government officials use high quality financial and performance information to make and implement effective policy, management, stewardship, and program decisions.”

The framework and strategic direction for financial management improvements in the federal government is established through the President’s Management Agenda (FY 2002) and the Office of Management and Budget and CFO Council Federal Financial Management Report 2000 goals (see summary on the following page).

In the President’s Management Agenda, the Administration has established five governmentwide goals for improving federal management and delivering results that matter to the American people. These goals are: (1) strategic management of human capital; (2) competitive sourcing; (3) improved financial performance; (4) expanded electronic government; and (5) budget and performance integration.

The President’s vision for government reform is also guided by three principles. Government should be: (1) citizen-centered, not bureaucracy-centered; (2) results-oriented; and (3) market-based, actively promoting rather than stifling innovation through competition.

The governmentwide management goals and principles have been considered in establishing the Department's Financial Management Plan and addressed directly where appropriate. The Department believes that Interior's Financial Management Vision, which provides the framework for many of the initiatives in the Department's Financial Management Plan, is

**OMB and CFO Council
Federal Financial Management Report 2000
Major Goals**

1. Improving Financial Accountability

Goal: Develop useful, reliable, and timely financial and performance information by:

- a. Ensuring sound accounting standards that provide the basis for federal financial statements and consistent, reliable financial information;
- b. Preparing annual financial statements and obtaining "clean" unqualified audit opinions for CFO Act agencies; and
- c. Issuing timely, useful, and reliable financial management reports.

2. Improving Financial Performance

Goal: Improve the financial performance of the federal government by:

- a. Developing financial management systems that provide timely, usable, and reliable financial information to increase accountability and improve program management;
- b. Streamlining financial transactions using best business practices;
- c. Offering common administrative services to achieve efficiencies and reduce cost; and
- d. Maintaining a secure systems environment.

3. Investing in Human Capital

Goal: Develop and maintain a high quality federal financial management workforce by:

- a. Assisting agencies in recruiting and retaining qualified financial management personnel; and
- b. Promoting effective financial management education and training within the federal government.

4. Managing Obligations to the Federal Government

Goal: Improve credit management and collection of obligations to the federal government by:

- a. Continuing to improve debt collection practices;
- b. Streamlining portfolio management through asset sales; and
- c. Maximizing the use of the Internet for credit and debt management programs.

5. Improving Administration of Federal Grant Programs

Goal: Provide better management of the over \$300 billion in grants awarded annually to our inter-governmental and non-profit partners by:

- a. Improving the framework of grant policy;
- b. Simplifying federal programs' administrative requirements;
- c. Exploring electronic processing options;
- d. Streamlining the delivery of payments; and
- e. Furthering audit and oversight policy.

consistent with the governmentwide goals and principles.

The Department's focus and priorities in the Federal Financial Management Plan is to improve financial management over the next five years by:

- Improving financial management information;
- Improving financial management systems;
- Implementing the GPRA;
- Ensuring management accountability and control;
- Developing financial human resources;
- Improving asset and debt management;
- Modernizing payments and business methods;
- Providing financial data stewardship; and
- Improving the administration of federal grants programs.

The departmental initiatives in support of these priorities are described in the chapters and appendices that comprise this report.

The Department, like many other federal agencies, has expended considerable effort and resources in recent years in rethinking the way it conducts business. The Department is providing the necessary leadership to continue to improve the effective and efficient use of its resources; providing timely and accurate financial information for stakeholders and program managers; and becoming more responsive to citizens' needs. Interior intends to continue these efforts.

Within this framework, the Office of Financial Management (PFM) has lead responsibility for improving financial management in the Department. In this role, PFM assists the Department to achieve these goals by:

- Providing leadership to promote the efficient management of Interior resources and assets;
- Providing quality financial advice and services to customers based on needs;
- Providing high quality financial information on Interior operations which fully support financial and performance reporting;
- Enhancing the framework that provides sound financial policies and services and facilitates effective communication;
- Maintaining a management accountability and control environment to ensure the integrity of Interior's operations; and
- Expanding financial management use of modern technology and business practices.

The Department recognizes that capital and human resource constraints, organizational streamlining, re-engineering, rightsizing, and accelerating technological advances all pose major challenges for the timely achievement of our financial management improvement goals. Many of the planned actions for FY 2002 and beyond are contingent on obtaining necessary resources. However, we believe that the plan established for Interior focuses on improving the areas necessary to ensure integrity in the Department's operations and provides financial management leadership in support of Interior's mission.

Financial and Performance Management

The Department has established three primary strategic goals for the financial management program. These goals are: (1) ensure integrity in management functions; (2) provide efficient financial management operations; and (3) improve financial and performance reporting.

Each of these strategic goals is supported by performance measure(s).

Strategic Goal 1 – Integrity: Strengthen the integrity of financial operations to ensure accuracy of financial data and management control over activities.

Performance Measure - Audit Opinions

Interior places a high priority on preparing reliable financial information. Accordingly, the Department publishes annual financial statements for the Department and each of the bureaus. Independent financial audits attest to the validity and reasonableness of the information disclosed in the financial statements and the accompanying notes and supplemental information to assure the Office of Management and Budget, Congress, and the public of the integrity of the Department's external reporting.

Each year, the financial statement auditors issue (1) an opinion on the financial statements; (2) a report on internal controls; and (3) a report on compliance with laws and regulations including FFMIA. Auditors classify financial statement opinions in one of three categories: disclaimer, qualified, or unqualified (clean).

Performance Goal: The Department's goal is to achieve and maintain (1) unqualified audit opinions on the financial statements included in the Department's Annual Accountability Report as well as all financial statements prepared by Interior bureaus; (2) no material weaknesses in the report on internal controls; and (3) no disclosed instances of noncompliance in the report on compliance with laws and regulations.

Performance Objectives: By the end of the current fiscal year and every year thereafter, obtain unqualified (clean) audit opinions on 100 percent of annual financial statements including all eight bureaus, the Departmental Offices, and the Department's consolidated statements. By the end of FY 2005, obtain clean opinions on the Internal Control and Compliance with Laws and Regulations opinions for all eight bureaus, the Departmental Offices, and the Department.

In FY 2000, the Department and seven bureaus received unqualified audit opinions. The financial statements for the Fish and Wildlife Service received a qualified audit opinion. The Office of Inspector General did not issue an opinion on the Minerals Management Service appropriated funds, although they did issue an unqualified audit opinion on Royalty Activity. The FY 2001 audit results are expected by March, 2002. FY 2001 reports will be published for all bureaus.

Audit Opinions

	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Plan	FY 04 Plan
Unqualified opinions on financial statements	8 of 10	10 of 10	N/A	10 of 10	10 of 10	10 of 10
No exceptions in report on internal controls (departmentwide)	11	10	N/A	6	4	3
No exceptions in compliance with laws and regulations (departmentwide)	5	5	N/A	3	2	0

Performance Measure - Timely Correction of Material Weaknesses and Implementation of Audit Recommendations

A number of material weaknesses have been identified in annual management control self-assessments of bureau and office programs, organizations and functions, and annual financial statement audits. Corrective Action Plans (CAPs) are developed and implemented by the bureaus and offices, and the Department periodically monitors corrective action progress to ensure the CAPs are completed by the original targeted completion date. In addition, audit recommendations reported by the OIG and U.S. General Accounting Office (GAO), and those reported by professional audit firms in single audits, are also periodically monitored to ensure implementation occurs in a timely manner.

Performance Goal: The Department's goal is to implement 75 percent of the audit recommendations reported in the OIG program, operational and financial statement audits, single audits and GAO audits within one year of the date of referral to the Department for tracking of implementation. The Department also strives to complete 75 percent of the CAPs for material weaknesses disclosed in bureau and office management control self-assessments by the original planned targeted completion date.

Performance Objectives: By the end of FY 2006, the Department intends to complete 95 percent of all material weaknesses CAPs by their original target date (compared to 83 percent actual expected to be achieved by the end of FY 2001). Additionally, the Department plans to implement 95 percent of all OIG and GAO audit recommendations within one year of referral (compared to 78 percent actual expected to be achieved by the end of FY 2001.)

The Department's FY 2001 objective with respect to audit recommendations is to implement within one year of referral for tracking of implementation 75 percent of the audit recommendations reported in OIG program, operational and financial statement audits, single audits, and GAO audits. Based on actual progress to date, and that expected by the end of FY 2001, this objective is expected to be accomplished. A 78 percent rate is projected to be achieved. The Department's FY 2001 objective with respect to material weaknesses was to complete CAPs for 75 percent of the pending material weaknesses carried over from FY 2000 with original targeted completion date in FY 2001. Based on actual progress to date, and that expected by the end of FY 2001, this objective is also expected to be accomplished. An overall CAP completion rate of 83 percent rate is expected to be achieved. Four of the five (80 percent) CAPS targeted for completion in FY 2001 have been or are expected to be completed by the end of FY 2001. In addition, one CAP with a targeted completion date in FY 2002, is expected to be completed by the end of FY 2001, one year ahead of schedule. As a result, five out of a possible six (83 percent) CAPS are expected to be completed by the end of FY 2001. The one material weakness CAP originally scheduled for completion in FY 2001, slipped due to the need to expand the scope of the original CAP to achieve the desired program outcomes.

Completion of Material Weakness CAPs and Implementation of Audit Recommendations

	FY 00 Actual	FY 01 Plan	FY 01 Actual (estimated)	FY 02 Plan	FY 03 Plan	FY 04 Plan
Implementation of audit recommendations	77%	75%	78%	75%	80%	85%
Completion of material weakness CAPs	33%	75%	83%	75%	80%	85%

Strategic Goal 2 - Efficiency: Optimize financial management operations to increase customer satisfaction and decrease costs to the Department.

Performance Measure - Prompt Pay

The Prompt Payment Act requires that payments be made within 30 days of receipt of invoice; otherwise, the federal government is required to pay interest. Performance is measured by the number of payments without interest penalties to the total number of payments subject to the Prompt Payment Act. Over the past several years, the number of payments subject to the Prompt Payment Act has shown a steady decline. This decrease is primarily attributable to the Department's increased use of the governmentwide purchase charge card.

Performance Goal: The Department's goal is to pay 97 percent of its invoices without late payment interest penalties.

Performance Objective: By the end of the current fiscal year and every year thereafter, each bureau will maintain a percentage of 97 percent or better for payments not requiring interest penalties.

As of June 30, 2001, Interior's percentage of payments not requiring interest penalties increased from 97.4 percent to 98 percent. The Department expects this improvement to continue as a result of using new technologies and best practices.

Prompt Pay

	FY 00 Actual	FY 01 Plan	FY 01 Actual (6/30/01)	FY 02 Plan	FY 03 Plan	FY 04 Plan
Percent of payments not requiring interest penalties	97.4%	97%	98%	97%	97%	97%

Performance Measure - Use of Electronic Funds Transfer (EFT)

The Debt Collection Improvement Act of 1996 (DCIA) requires that all payments be made by EFT unless covered by waiver.

Performance Goal: The Department's goal is to use EFT, including charge cards, to the maximum extent possible except for those payments covered by waiver.

Performance Objective: By the end of the current fiscal year, the Department will process 98 percent of salary payments, 80 percent of vendor payments, 92 percent of miscellaneous payments by EFT, and 91 percent of purchases of \$25,000 or less via a charge card.

To achieve the stated objectives, the Department has increased the use of the governmentwide purchase charge card, minimized the use of imprest funds and third party drafts, and required new vendors and employees to enroll for EFT payments. Also, the Department is investigating the use of the Central Contractor Registry to facilitate vendor enrollment for EFT.

Electronic Funds Transfers

	FY 00 Actual	FY 01 Plan	FY 01 Actual (6/30/01)	FY 02 Plan	FY 03 Plan	FY 04 Plan
Salary	98%	98%	98%	98%	98%	98%
Vendor	76.5%	80%	82.4%	80%	80%	80%
Miscellaneous	91.6%	92%	92.7%	92%	92%	92%
Charge Card	94%	91%	94.4%	93%	94%	95%

Performance Measure - Referral of Eligible Debt

The Debt Collection Improvement Act of 1996 requires agencies to refer eligible 180-day delinquent debt to the Department of the Treasury for cross-servicing and, if necessary, offset action.

Performance Goal: Refer all eligible 180-day delinquent debt to the Department of the Treasury in compliance with the DCIA.

Performance Objective: By the end of the current fiscal year, achieve a 90 percent referral rate. The Bureau of Indian Affairs is nearing completion of an intensive effort to improve payment performance of debts related to irrigation services that total approximately \$15 million. This effort, when completed, will greatly improve the percentage of referral of eligible debt to Treasury's Financial Management Service.

Referral of Eligible Debt

	FY 00 Actual	FY 01 Plan	FY 01 Actual (6/30/01)	FY 02 Plan	FY 03 Plan	FY 04 Plan
Percent of eligible debt referred to Treasury *	90%	90%	83%	92%	93%	94%

* Eligible debt excludes amounts in litigation and amounts currently being considered by agency for compromise.

Performance Measure - Reduce SmartPay Program Employee Delinquent Accounts

In acknowledgment of the need to improve the Department's performance in the area of 60 days and over delinquent charge card accounts, Interior has created a departmentwide goal to reduce the delinquencies to one percent, exclusive of former employees.

Performance Goal: The Department's goal is to reduce the amount of 60 days and older delinquent charge card accounts to below the commercial level of the total outstanding balance, exclusive of former employees.

Performance Objective: By the end of the current fiscal year, achieve a level of SmartPay Program 60 days or older delinquent charge card accounts of two percent of the total outstanding balance and a level of one percent for each year thereafter.

SmartPay Delinquent Accounts

	FY 00 Actual	FY 01 Plan	FY 01 Actual (7/19/01)	FY 02 Plan	FY 03 Plan	FY 04 Plan
Percent of SmartPay Program Employee Delinquent Accounts (60 days or older)	3.1%	2.0%	5.1%	1.0%	1.0%	1.0%

Performance Measure - Reduce Erroneous Payments

OMB Circular A-11 defines “erroneous payments” as payments made under the programs listed under Exhibit 57 of Circular A-11 that should not have been made or were made for an incorrect amount. Although the Department does not have any programs identified in Exhibit 57, Interior makes financial assistance payments under a variety of programs and to vendors for goods and services. In order to better assess the Department’s performance in the area of erroneous payments, Interior has established a goal associated with payments made to external parties associated with Interior’s financial assistance programs and to establish pre-audit and post-audit programs related to employee or vendor payments to better monitor these activities.

Performance Goal: The Department’s goal is to have no erroneous payments.

Performance Objective: The annual target will be to maintain adequate controls over Federal Assistance payment processes to ensure any erroneous payments are kept below .05 percent of the program as measured by audit disallowances and 60 percent of the disallowances are returned to the government. Further, the Department will expand pre-audit and post-audit programs by establishing additional programs to cover employee and vendor payments.

Erroneous Payments

	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Plan	FY 04 Plan
Federal Assistance – Percent of Audit Disallowances	N/A	N/A	N/A	TBD*	TBD*	TBD*
Federal Assistance – Percent of Disallowances Returned to Government	N/A	N/A	N/A	TBD*	TBD*	TBD*
Number of Pre-Audit Programs	N/A	N/A	N/A	1	2	2
Number of Post-Audit Programs	N/A	N/A	N/A	0	1	2

* To be determined

Strategic Goal 3 – Reporting: Improve financial and performance reporting to better support management decisions at all levels and to ensure compliance with the Government Management Reform Act and the Government Performance and Results Act.

Performance Measure - Combining financial statement information with performance data

Combining annual financial and performance reports provides a more accurate overview of financial operations and program results. Performance information is necessary to comply with GPRA requirements and is critical to supporting management decisions. Combining cost data with performance data further enhances the reporting of information to managers.

Performance Goal: The Department's objective is to increase the reporting of performance information in Interior's Accountability Report and in bureau-level reports, improve the reporting of cost information in the Accountability Report, and increase cost information related to GPRA goals.

Performance Objective: By the end of the current fiscal year and each year thereafter, report 100 percent of the high-level annual performance measures in the Accountability Report, report costs for 100 percent of GPRA program activities, and report costs for bureau goals as part of the GPRA annual performance plan beginning at 20 percent and increasing to 100 percent by FY 2006.

Combining Financial Statements with Performance Data

	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Plan	FY 04 Plan
Ratio of selected, high-level annual performance measures reported in the DOI Annual Accountability Report	100%	100%	N/A	100%	100%	100%
Percent of GPRA Program Activities reporting cost measures in the Accountability Report	100%	100%	N/A	100%	100%	100%
Percent of bureau annual performance goals capturing actual costs	N/A	20%	N/A	40%	60%	60%

Performance Measure - Interim financial statements and performance reports

The Department strives to prepare interim financial statements for all bureaus and the Department and improve the availability of financial and budget information to Interior management.

Performance Goal: The Department's goal is to produce two interim financial statements and one interim report on performance data during the year.

Performance Objective: By the end of the current fiscal year and each year thereafter, produce interim financial statements, including the Statement of Budgetary Resources, for each bureau and the Department using the Consolidated Financial Statement application.

Interim Financial Statements with Performance Reports

	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Plan	FY 04 Plan
Number of interim financial statements	1	2	2	3	4	4
Number of interim reports on performance data	1	1	0	1	1	1

Improving Electronic Communication

The Office of Financial Management (PFM) has embraced the Internet as an efficient and cost-effective means to electronically publish and disseminate critical financial management information to customers. PFM's Web site at <http://www.doi.gov/pfm> has been accessible to federal and public visitors since March 1996.

The development of the Web site (see *Exhibit 1-2*) and use of Internet-based tools demonstrates PFM's commitment to use information technology to streamline financial services.

The Office of Financial Management home page is one of the more frequently visited administrative/policy Web sites in the Department of the Interior. On average, there are approximately 30,000 weekly hits to the PFM site. Currently, the Web site comprises approximately 3,000 files and includes the following information:

- Office of Financial Management Organization and Staff Directory
- Financial Administration and Financial Statement Guidance Memoranda
- Departmental Reports
- Bureau Reports
- Departmental Financial Statements
- Management Accountability and Control
- Travel Information
- Financial Management Training Courses and Events
- Other Resources
- Links to Other Financial Management Web Sites

Exhibit 1-2



In addition to administering an external Web site, the Office of Financial Management also maintains an intranet for the exclusive use and benefit of PFM staff. The PFM intranet allows staff to easily access key information such as internal financial management databases, miscellaneous reports, and leave and training schedules.

FY 2001 Accomplishments

- Created an intranet for Office of Financial Management staff.
- Initiated the revision of Web pages that do not meet Section 508 compliance standards.
- Created a Web site that electronically registered approximately 200 people for the FY 2001 Budget and Finance Seminar.
- Created a Travel Newsletter Web site.
- Initiated testing of an electronic, Web-based Financial Management Systems Compliance Review.
- Published the Department's FY 2000 Annual Accountability Report.
- Published the Department's FY 2001 - FY 2005 Financial Management Status Report and Strategic Plan.
- Published other financial management documents as required (e.g., training, travel, policy documents, management accountability and control, financial statements, relocation).

Planned Actions

- Publish the Department's FY 2001 Accountability Report.
- Publish the Department's FY 2002 - FY 2006 Financial Management Status Report and Strategic Plan.
- Complete the electronic, Web-based Financial Management Systems Compliance Review.
- Modify Web pages, as required, to ensure compliance with Section 508 standards.
- Enhance the PFM intranet.
- Publish other key financial documents to the Office of Financial Management Web site.
- Work closely with FinanceNet to improve the delivery of government services by reducing sales and information distribution costs. As a member of FinanceNet's Technical Working Group, PFM works in partnership with other federal financial management offices to facilitate access to government information.
- Expand the use of electronic technology to reduce/eliminate paper drive inputs/outputs.

Benchmarking of Financial Management Functions and Operations

The Department feels strongly that it needs to continually evaluate how well it is doing compared to its peers in government and industry. To assess its performance over the years, the Department uses benchmarking, which is the comparison of similar processes across organizations, companies, and industries to identify best practices.

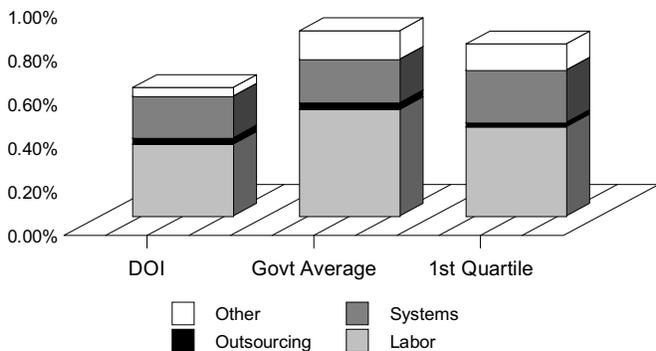
The Department completed benchmarking studies in 1996, 1997, and 1998 using a methodology developed by the Hackett Group. The Hackett Group specializes in business re-engineering to provide technical expertise and a database application with detailed process definitions that were developed specifically for this study. The Hackett Group Benchmark program is the largest, most comprehensive finance study of its kind, with more than 650 companies participating worldwide. The benchmarking study covered over 20 finance processes.

In 1998, the most recent year for benchmarking, the Department participated in a government-sponsored benchmarking study conducted by The Hackett Group for 11 federal and state agencies. The agencies were compared to companies in the "large service company database", and results showed that overall, the Department was better than the average of all companies in the database, although not as good as those in the first quartile (i.e., the top performers). The results are summarized in *Exhibits 1-3 and 1-4*. *Exhibit 1-5* presents some of the more significant results of the government study and comparative results for the Department.

Exhibit 1-3

Exhibit 1-4

Finance Cost as Percent of Revenue



Finance Staff Time Allocation

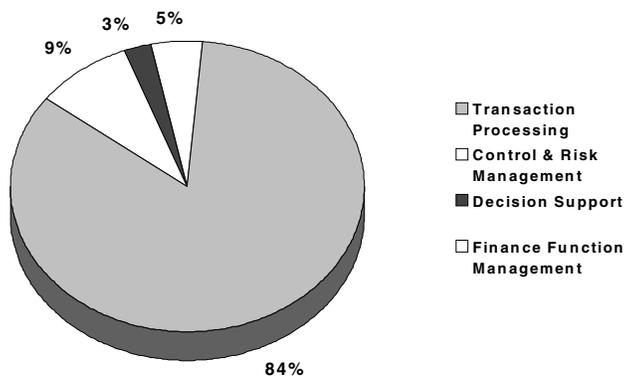


Exhibit 1-5

Government Study Results	Department of the Interior Results
On average, each agency in the study spent \$56.4 million annually on finance	DOI spends \$67.6 million annually on selected finance functions
Finance cost represents 0.85 percent of revenue	Finance cost represents 0.6 percent of revenue
Finance staff is equivalent to 101 FTEs per \$1 billion of revenue	Finance staff is equivalent to 70 FTEs per \$1 billion of revenue
Finance staff spend 79 percent of their time on transaction processing	Finance staff spend 84 percent of their time on transaction processing
The government's finance cost is higher than the first quartile	DOI finance cost is lower than the first quartile
The government's FTEs per \$1 billion are higher than the first quartile	DOI's FTEs per \$1 billion is within the first quartile
Overall core processes are lower than first quartile	Overall core processes are comparable to the first quartile

Based on the latest financial benchmarking study, the Department is focusing efforts in two areas:

- Reducing transaction processing costs; and
- Increasing analyst support to finance and program managers, comparable to the amount of support provided in commercial organizations.

These strategies are reflected in the initiatives identified in this plan.